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## The Rising Tide of Corn

### Ethanol-Driven Demand Felt Across the Market

By [Michael S. Rosenwald](#)  
Washington Post Staff Writer  
Friday, June 15, 2007; Page D01

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The nation's unquenchable thirst for gasoline -- and finding an alternative to what's been called our addiction to oil -- has produced an unintended consequence: The cost of the foods that fuel our bodies has jumped.

Beef prices are up. So are the costs of milk, cereal, eggs, chicken and pork.

And corn is getting the blame. [President Bush's](#) call for the nation to cure its addiction to oil stoked a growing demand for ethanol, which is mostly made from corn. Greater demand for corn has inflated prices from a historically stable \$2 per bushel to about \$4.

That means cattle ranchers have to pay more for animal feed that contains corn. Those costs are reflected in cattle prices, which have gone from about \$82.50 per 100 pounds a year ago to \$91.15 today.

The corn price increases flow like gravy down the food chain,

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With corn prices roughly twice their usual level, the cost of feed is up, and with it the price of milk, cheese, beef and many other agricultural commodities. (By Justin Sullivan -- Getty Images)

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A sudden rise in the price of corn, driven by demand for corn-based ethanol fuel, has had a downstream effect on costs of animal feed, beef, poultry, milk, cheese, eggs and the

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to grocery stores and menus. The cost of rounded cubed steak at local Harris Teeters is up from \$4.59 last year to \$5.29 this year, according to TheGroceryGame.com, which tracks prices. The Palm restaurant chain recently raised prices as much as \$2 for a [New York](#) strip. And so on.

"Anybody that knows anything about the marketing of corn knows that when you raise the price of corn you are going to create problems in all of the markets that use corn," said Ronald W. Cotterill, director of the Food Marketing Policy Center at the [University of Connecticut](#).

The increases have not gone unnoticed by John and Irene Lobuts, retired teachers who live in [Rockville](#) and were finishing up their weekly visit to Giant yesterday. John noted that while gas price increases have been obvious, "food is right behind it." His wife quickly offered the observation that "milk is going crazy."

Though the increases may seem hard to swallow, Americans have been relatively fortunate when it comes to food prices, spending only about 10 percent of disposable personal income on food. That expense was more than 20 percent in 1951, according to the [U.S. Department of Agriculture](#).

But now some economists and analysts say the corn price increase could combine with other factors -- poor weather

high-fructose corn syrup used as a sweetener in many products. In addition, as farmers increase acreage planted in corn, less is available for other high-value commodities such as soybeans, decreasing their supply and boosting their cost as well.

#### ALTERNATIVE FUEL: ETHANOL



Soaring gasoline and oil prices are encouraging many to seek out alternative fuel sources. One such means is [ethanol](#), a clean-burning, high-octane fuel produced from crops such as corn. On April 25, 2006 President Bush announced a [four-part plan](#) to confront rising energy prices.

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and soaring energy costs -- to unsettle the food industry, since corn products are used not just to feed animals but also in high-fructose corn syrup, the sweetener of choice for such products as soft drinks and cookies.

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Hershey, the chocolate maker, recently lowered earnings projections because of higher milk costs. So did [Dean Foods](#), a major milk processor. [General Mills](#) and [Kellogg's](#) have bumped up cereal prices. [Marriott International](#), which typically sees price increases of 2 to 3 percent a year for its purchases of protein items, now expects that to at least reach 6 percent next year and perhaps go as high as 8 percent. The company buys 10 million tons of beef a year.

"It's a risk we are really paying attention to now," said Brad Nelson, Marriott's corporate chef, though the company is not increasing prices in its restaurants.

The heightened demand for corn has decreased the supply of other grains, including soybeans, because farmers are shifting fields to make room for corn. Soybeans are a key ingredient in trans-fat-free cooking oils now in high demand as cities and counties ban fatty oils in restaurants and bakeries. New York was the first city to do so, and other municipalities have followed, including [Montgomery County](#). Now [Sysco](#), a [Houston](#) food company that is a major supplier of trans-fat-free oils, says it is seeing pricing pressure on the product.

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